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.1 Month of Application

.11 A household's eligibility shall be determined for the month of application by considering the household's circumstances as of the date of interview, except as specified in Sections 63-402.9 (Strikers), 63-408 (Voluntary Quit), 63-501.6 (Resource Transfers), 63-503.212 (Income Determinations), and 63-503.43 (Destitute Households), and 63-301.7 and .82 (Categorically Eligible Households).

.12 A calendar month shall be used for certification and issuance purposes. However, a CWD may, with prior SDSS and FNS approval, use a fiscal month if the CWD determines that it is more efficient and satisfies SDSS that the accounting procedures fully comply with certification and issuance requirements contained in these regulations. A CWD may elect to use either one fiscal month for all households, or more than one fiscal month with varying beginning dates based on the date a household files an application.

.13 A household's benefit level for a) the initial month of certification, or b) the first month for which the household is certified for participation in the Food Stamp Program following any period during which the household was not certified for participation, shall be prorated from the date the application is received in the appropriate office. Migrant and seasonal farm worker households which have a break in participation of 30 days or less shall not have their benefits prorated. They shall receive benefits for the whole month.

.131 Using a calendar or fiscal month, households shall receive benefits prorated from the date of application to the end of the month. The CWDs shall either:

(a) Refer to Handbook Section 63-1101 for Reciprocal Table for computing first month benefits, or

(b) Use the following formula:

$$\begin{array}{rclclcl} & & & & \text{(number of days in month + 1} & & \\ & & & & \text{- date of application)} & & \\ \text{full month's} & & & & & & \\ \text{benefits} & \times & \text{number of days in month} & = & \text{allotment} & & \end{array}$$

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- .132 After determining the prorated allotment, the CWD shall round the product down to the nearest lower whole dollar. If the computation results in an allotment of less than \$10, then no issuance shall be made for the whole month.
- .14 Because of reported, estimated or anticipated changes, a household may be eligible for the month of application, but ineligible in the subsequent month. The household shall be entitled to benefits for the month of application even if the processing of its application results in the benefits being issued in the subsequent month. (See Sections 63-504.1 for certification periods and Section 63-504.2 for notice requirements.) Similarly, a household may be ineligible for the month of application, but eligible in the subsequent month due to reported, estimated or anticipated changes in circumstances. Even though denied for the month of application, the household does not have to reapply in the subsequent month. The same application shall be used for the denial for the month of application, and for the determination of eligibility for subsequent months, within the timeliness standards in Section 63-301.1.
- .15 As a result of reported, estimated or anticipated changes, the household's allotment for the month of application may differ from its allotment in subsequent months. The household's allotment shall vary from month to month to reflect actual changes reported during the certification period or those changes anticipated at the time of certification unless the averaging techniques in Sections 63-503.212(b), .242(c) or .252 are used. The CWD shall establish the household's certification period in accordance with Section 63-504.1.
- .16 Households who apply for benefits after the 15th day of the month, and have been determined eligible to receive benefits for the initial month and the subsequent month, shall receive both allotments at the same time.

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.161 CWDs have the option to provide both months' benefits in one combined allotment or as separate allotments as long as they are provided at the same time and within the time frame specified in Section 63-301.2 or Section 63-301.531 for expedited service.

.162 Benefits for the prorated initial month shall be provided in accordance with Section 63-503.13.

.2 Determining Resources, Income and Deductions

.21 Prospective Budgeting in the Beginning Months for Households Who Shall be Subject to Retrospective Budgeting

.211 Determining Resources

Except for households determined to be categorically eligible as specified in Sections 63-301.7 and .82, the household's resources at the time of the interview shall be used to determine the household's eligibility, in accordance with Sections 63-501 and 63-409.12.

.212 Determining Income

The CWD shall determine food stamp eligibility according to the household's gross and/or net income as specified in Section 63-503.32. The CWD, in determining the household's eligibility, shall determine what sources are exempt from consideration as income per Section 63-502.14 and Section 63-502.2. If an applicant household is destitute, as defined in Section 63-503.43, the CWD shall compute its gross income in accordance with Section 63-503.434.

(a) Actual Income

For purposes of determining the household's eligibility and level of benefits during the beginning months, the CWD shall take into account the actual income already received by the household during the month of application and any anticipated income the CWD and the household are reasonably certain will be received during the remaining beginning months. Income shall not be counted if its receipt is uncertain. If the exact amount of anticipated income is uncertain only that portion which can be anticipated with reasonable certainty shall be counted as income. In cases where the receipt of income is reasonably certain but the monthly amount may fluctuate, the household may elect to income average, as provided in Section 63-503.212(b).

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- (1) The following are examples of how to determine anticipated income:
- (A) The anticipated receipt of an initial PA/GA payment is counted in determining eligibility only if the PA/GA payment has been approved and authorized and will be issued within the month.
 - (B) The anticipated receipt of earned income, such as income from a new job, will only be counted if it can be determined with reasonable certainty that a specific amount of earnings will be received within the month, e.g., the person is currently employed or will be employed during the month and the pay day(s) is within the month.
 - (C) The anticipated receipt of other income, such as unemployment insurance benefits, will only be counted if it can be verified that benefits will be received within the month, e.g., award letter indicates the payment amount and that it can be expected by or on a specified date and that date falls within the month.

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(b) Averaging Income

Households subject to retrospective budgeting shall not have their income averaged, even if their income fluctuates from month to month, except as provided below:

- (1) Self-employment income received less often than monthly. Households which derive their annual income in a period of time shorter than one year shall have that income averaged over a 12-month period.

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- (2) Nonexcluded scholarship, deferred educational loan, and educational grant income received by households less often than monthly. Such income, after exclusions, shall be averaged over the period it is intended to cover and shall not be prospectively counted in the beginning months for retrospectively budgeted households.
 - (3) Contract income received by households which derive their annual income in a period of time shorter than one year. Such income shall be averaged over the period it is intended to cover, provided the income from the contract is not earned on an hourly or piece-work basis. Such income shall not be prospectively counted in the beginning months for retrospectively budgeted households.
- (c) Income Only in the Month Received
 - (1) Income anticipated during the beginning months shall be counted as income only in the month it is expected to be received, unless the income is averaged. Whenever a full month's income is anticipated but is received on a weekly or biweekly basis, the CWD shall use the exact monthly amount whenever possible. If the exact amount is not available, the CWD shall use the amount which is reasonably certain to be received in accordance with Section 63-503.212(a).
 - (2) Wages held at the request of the employee shall be considered income to the household in the month the wages would otherwise have been paid by the employer. Wages held by the employer, as a general practice, even if in violation of the law, shall not be counted as income to the household. If the household anticipates that it will ask for and receive an advance, the advance shall be counted as income. Income from wages that were previously held by the employer as a general practice and not previously counted as income by the CWD shall be counted as income in the month received. Advances on wages shall count as income in the month received only if the CWD is reasonably certain of its receipt, in accordance with Section 63-503.212(a).

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- (3) The CWD shall budget stable earned and unearned income which is received on a regular basis as a single monthly payment for the month such income is intended to cover. Households receiving such income shall not have their monthly income varied merely because mailing or payment cycles may cause two payments to be received in one month and none in the next month.

.22 Transitioning Households from Prospective to Retrospective Budgeting

A household's benefit level shall be computed prospectively during the beginning months of the household's certification period by considering all factors of eligibility. The prospective determination of eligibility and benefit level shall be based on the income and other circumstances that the CWD is reasonably certain will exist for that household during the beginning months as specified in Section 63-503.212(a).

- .221 If the household has two beginning months, when the CWD receives the household's first CA 7 during the second beginning month, the CWD shall continue to prospectively determine the household's eligibility, but the CWD shall issue benefits retrospectively for month three based on the actual information reported on the CA 7 for month one except as specified in Section 63-503.232(c).

- .222 If the household has three beginning months, when the CWD receives the household's second CA 7 during the third beginning month, the CWD shall continue to prospectively determine the household's eligibility. The CWD shall commence issuing benefits retrospectively for month four based on the actual information reported on the CA 7 for month two, except as specified in Section 63-503.232(c).

.23 Households Subject to Retrospective Budgeting After the Beginning Months

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.231 Prospective Eligibility

The CWD shall continue to prospectively determine Food Stamp eligibility after the beginning months. The prospective eligibility determination determines whether or not a household continues to be eligible for benefits, and does not determine what benefit level a household is entitled to receive. A household is neither eligible for a restoration of benefits, nor shall a claim be established against a household for an inaccurate estimate of a household's prospective eligibility. Categorically eligible households shall be considered eligible for Food Stamps because of their status as PA recipients. The prospective eligibility determination for other households shall be made as follows.

(a) Determining Resources

Each month any reported changes in the household's resources shall be used in conjunction with the resources at the time of the interview to determine the household's prospective eligibility, in accordance with Sections 63-501 and 63-409.12.

(b) Determining Income

When the household's benefits are retrospectively budgeted, the CWD shall continue to prospectively determine food stamp eligibility according to the household's gross and/or net income as specified in Section 63-503.32. The CWD, in determining the household's prospective eligibility shall consider the household's actual reported budget month income or income that has been averaged for the budget month and anticipated income changes in the issuance month. For this actual, averaged, and anticipated income, the CWD shall determine what sources are exempt from consideration as income, per Sections 63-502.14 and 63-502.2.

(c) Household Composition

The CWD shall determine food stamp eligibility using the household's composition during the issuance month.

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.232 Retrospective Budgeting

The CWD shall use the following income to retrospectively budget the household's level of benefits.

(a) Actual Income

For purposes of determining the household's level of benefits for the issuance month, the CWD shall take into account the household's actual reported income for the budget month, except for child/spousal support disregard payments, which shall be based on the CWD information.

(b) Averaged Income

For purposes of determining the household's level of benefits for the issuance month, the CWD shall take into account any income that has been averaged for the household for the budget month.

- (1) Self-employment income received less often than monthly. Households which derive their annual income in a period of time shorter than one year shall have that income averaged over a 12-month period.
- (2) Nonexcluded scholarship, deferred educational loan, and educational grant income as specified in Section 63-503.212(b)(2). Such income shall not effect more benefit months than the number of months in the period over which it is averaged.
- (3) Contract income as specified in Section 63-503.212(b)(3). Such income shall not effect more benefit months than the number of months in the period over which it is averaged.

(c) Income Only in the Month Received

When determining the household's level of benefits for the issuance month, the CWD shall count as income only that amount actually received by the household in the budget month, except as provided below:

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- (1) Income that has been averaged, in accordance with Section 63-503.212(b).
- (2) The CWD shall budget stable earned and unearned income which is received on a regular basis as a single monthly payment for the month such income is intended to cover. Households receiving such income shall not have their monthly income varied merely because mailing or payment cycles may cause two payments to be received in one month and none in the next month.
- (3) A GA/GR payment, covering a period which begins in the current month and ends in a future month, received in the current month is counted as income in the current month.

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- (A) For example, a GA/GR payment received in June which is intended to cover the last two weeks in June and the first two weeks in July is counted as income for June.

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- (4) Wages held at the request of the employee shall be considered income to the household in the month the wages would otherwise have been paid by the employer.
- (5) All AFDC, GA/GR, RCA, and ECA payments (initial, regular monthly, and additional/corrective) for the issuance month shall be anticipated with reasonable certainty, as defined in Section 63-503.212(a). The CWD shall ensure that any additional/corrective payments to the regular grant received in and for the issuance month are counted prospectively.

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- (A) Federally funded AFDC additional/corrective payments that the CWD could not anticipate with reasonable certainty or did not have time to budget prospectively shall be budgeted retrospectively.
- (B) State-only AFDC, GA/GR, RCA, and ECA payments that the CWD could not anticipate with reasonable certainty or did not have time to budget prospectively shall not be budgeted retrospectively.
- (C) Repealed by Manual Letter No. FS-91-10, effective 12/1/91.

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- (D) The following case situations illustrate the distinction between an additional/corrective payment and a regular monthly payment:

1. Example 1:

An ongoing Food Stamp household reported the birth of a child in March. As a result, the CWD issued two supplemental PA payments in April, the first for prorated March benefits, the second for April benefits, and added the child to the Food Stamp household effective April 1.

The prorated supplement for March benefits would be considered a nonrecurring lump sum payment because it is a retroactive payment for a previous month and is counted as a resource in April. The supplemental PA payment received in and for the month of April would be considered an additional/corrective payment which would be budgeted retrospectively for the June issuance month.

2. Example 2:

An ongoing Food Stamp household filed a March CA 7 (Rev. 1) which caused the CWD to reduce the May PA grant amount to \$0. The CWD used \$0 income to compute the Food Stamp benefit level for the issuance month of May. Subsequent to this action, the CWD discovers that an error was made in the determination of the Food Stamp household's PA grant and recomputes the PA budget to an appropriate grant amount of \$400.

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The \$400 would be considered a regular monthly PA payment. This is because no other grant amount for the issuance month had been established and paid. Therefore, the amount issued would be considered a regular monthly PA payment. However, if the CWD had established and actually paid a grant amount (e.g., \$50), any adjustment to this amount would be considered an additional/corrective payment amount and budgeted retrospectively regardless of how the additional/corrective payment was issued (i.e., one check, two checks, etc.).

3. Example 3:

An ongoing Food Stamp household filed a March CA 7 (Rev. 1) which resulted in a determination that the monthly PA grant would decrease from \$400 to \$50 for May. The \$50 PA grant level was used to determine the food stamp benefits for the issuance month of May. Subsequently, the Food Stamp household filed an administrative appeal and received aid paid pending (APP) in the amount of \$400.

In this instance, the \$350 (\$400-\$50) would not be budgeted retrospectively as an additional/corrective payment. This is because APP is required by state administrative appeals procedures. The \$350 + \$50 would be considered a regular monthly payment under the requirements of the partial settlement agreement.

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(d) Discontinued Income

For the purposes of this section, discontinued income is any income that a household received in a budget month from a source that no longer provides income to the household, except when the income has been discontinued due to participation in a strike or, a household member other than the primary wage earner voluntarily quits a job without good cause in accordance with Section 63-408.4.

(1) In a Beginning Month

Discontinued income which was included in the household's prospective budget shall be disregarded when the beginning month becomes the budget month.

(2) After the Beginning Months

For households receiving AFDC, GA/GR, RCA, or ECA payments in the issuance month, discontinued income from the corresponding budget month shall be disregarded provided:

- (A) The household has reported the termination of the income on the CA 7 for the budget month or in some other manner,
- (B) The CWD has sufficient time to process the change and affect the allotment in the issuance month corresponding to the budget month in which the income stopped, and
- (C) The AFDC, GA/GR, RCA, or ECA payments are increased as a result of the termination of the income.

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.24 Determining the Eligibility and Benefit Level of Households Excluded from Retrospective Budgeting

.241 Determining Resources

The household's resources at the time of the interview shall be used to determine the household's eligibility, in accordance with Sections 63-501 and 63-409.12.

.242 Determining Income

The CWD shall determine food stamp eligibility according to the household's gross and/or net income as specified in Section 63-503.32. The CWD, in determining the household's eligibility, shall determine what sources are exempt from consideration as income, per Sections 63-502.12 and .2. If an applying household is destitute, as defined in Section 63-503.43, the CWD shall compute its gross income, in accordance with Section 63-503.434.

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(a) Anticipating Income

- (1) For purposes of determining the household's eligibility and level of benefits, the CWD shall take into account the income already received by the household during the month of application and any anticipated income the household and the CWD are reasonably certain will be received during the remainder of the certification period. If the amount of income that will be received, or when it will be received, is uncertain, that portion of the household's income that is uncertain shall not be counted.
- (2) A household anticipating income from a new source, such as a new job, may be uncertain as to the timing and amount of the initial payment. These monies shall not be anticipated by the CWD unless there is reasonable certainty concerning the month in which the payment will be received and in what amount. If the exact amount of the income is not known, that portion of it which can be anticipated with reasonable certainty shall be considered as income. In cases where the receipt of income is reasonably certain but the monthly amount may fluctuate, the household may elect to income average, as provided in Section 63-503.242(c).
- (3) Income received during the past 30 days shall be used as an indicator of the income that is and will be available to the household during the certification period. However, the CWD shall not use past income as an indicator of income anticipated for the certification period if changes in income have occurred or can be anticipated. If income fluctuates to the extent that a 30-day period alone cannot provide an accurate indication of anticipated income, the CWD and the household may use a longer period of past time if it will provide a more accurate indication of anticipated fluctuations, in future income.

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- (4) If the household's income fluctuates seasonally, it may be appropriate to use the most recent season comparable to the certification period rather than the last 30 days, as one indicator of anticipated income. The CWD shall exercise particular caution in using income from a past season as an indicator of income for the certification period. In many cases of seasonally fluctuating income, the income also fluctuates from one season in one year to the same season in the next year. However, in no event shall the CWD automatically attribute to the household the amounts of any past income. The CWD shall not use past income as an indicator of anticipated income when changes in income have occurred or can be anticipated during the certification period.
- (b) Income Only in the Month Received
- (1) Income anticipated during the certification period shall be counted as income only in the month it is expected to be received, unless the income is averaged. The CWD shall use the exact monthly figure if it can be anticipated. Whenever a full month's income is anticipated but is received on a weekly or biweekly basis, the CWD shall convert the income to a monthly amount by multiplying weekly amounts by 4.3 and biweekly amounts by 2.15 if the exact amount is not known.
- (2) Wages held at the request of the employee shall be considered income to the household in the month the wages would otherwise have been paid by the employer. However, wages held by the employer as a general practice, even if in violation of law, shall not be counted as income to the household, unless the household asks for and receives an advance, or anticipates that it will receive income from wages that were previously held by the employer as a general practice and that were, therefore, not previously counted as income by the CWD. Advances on wages shall count as income in the month received only if reasonably anticipated, in accordance with Section 63-503.242(a).
- (3) Households receiving assistance payments such as AFDC, GA/GR, RCA, ECA, or social security payments on a recurring, monthly basis, shall not have their monthly income from these sources varied merely because mailing or payment cycles may cause two payments to be received in one month and none in the next month.

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(c) Averaging Income

- (1) Households, except destitute households, and PA households subject to a monthly reporting requirement for PA, may elect to have their income averaged. Income shall not be averaged for a destitute household since averaging would result in assigning to the month of application income from future periods which is not available to the destitute household for its current food needs. To average income, the CWD shall use the household's anticipated income fluctuations over the certification period. The number of months used to arrive at the average income need not be the same as the number of months in the certification period. If fluctuating income for the past 30 days and the month of application are known and, with reasonable certainty, are representative of the income fluctuations anticipated for the coming months, the income from the two known months may be averaged and projected over a certification period of longer than two months.
- (2) Households which derive income by contract or self-employment, shall have that income averaged. This does not apply to a migrant or seasonal farmworker household.
- (3) Households which receive scholarships, deferred educational loans, or other educational grants shall have such income, after exclusions, averaged over the period for which it was provided.

.25 Determining Deductions For All Households

Deductible expenses include only certain medical, dependent care, shelter costs, and child support as specified in Section 63-502.3.

.251 Billed Expenses

Except as specified in Section 63-503.252 for averaged expenses and Section 63-502.37 for the child support deduction, a deduction shall be allowed only for the month the expense is billed or otherwise becomes due, regardless of when the household intends to pay the expense. Rent which is due each month shall be included in the household's shelter expenses, even if the household has not yet paid the expense. Amounts carried forward from past billing periods shall not be deducted, even if included with the most recent billing and actually paid by the household. In any event, an allowable expense shall be deducted only once.

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- (a) For reimbursable medical expenses, or for those that the nonreimbursable portion is known or can be determined at the time of the billing, the period of deduction and past due expenses are established as follows:
 - (1) If the billing period is specified on the bill, a deduction shall be allowed until the final day in the month that the bill becomes due.
 - (2) If no billing period is specified, the bill is considered to become due one month after the date of the bill. A deduction shall be allowed until the final day in the month following the month the bill was issued.
- (b) When an eligible household member presents a medical bill, other than for hospital expenses, the amount of the household's allowable medical cost shall be determined in the following manner:
 - (1) Insured (Reimbursable) Medical Expenses
 - (A) When the bill is submitted and the eligible household member is covered by Medicare or Blue Cross/Blue Shield, or private insurance company, 20 percent of the total bill shall be the household's medical cost.
 - (B) When the bill is submitted and the eligible household member is covered by Medi-Cal, the share of cost shown on the member's latest MC 177-SA-M, or the doctor's bill, whichever is less, shall be the household's medical cost.
 - (2) Uninsured (Nonreimbursable) Medical Expenses

The total amount of the uninsured medical expenses incurred by an eligible household member and verified, in accordance with Section 63-300.51(g), is the amount of the household's medical cost. If a Medi-Cal bill is submitted for an allowable medical expense incurred, but not covered by Medi-Cal, the full amount billed shall be the household's medical cost regardless of the member's share of cost.

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(c) Hospital Bills

The total amount of the nonreimbursable portion of the medical expense shown on the final bill (not the preliminary statement) as due and payable by the eligible household member shall be the household's medical cost.

- (d) Eligible household members who have coverage by more than one health insurance policy (except for Medi-Cal/Medicare and Blue Cross/Blue Shield) shall receive the medical deduction only after all reimbursements and/or payments have been received or verified.

.252 Averaging Expenses

All households may elect to have fluctuating expenses or payments for the child support deduction averaged. Households may also elect to have expenses which are billed less often than monthly averaged forward over the interval between scheduled billings, or, if there is no scheduled interval, averaged forward over the period the expenses are intended to cover (such as local property taxes and fire insurance). (See Section 63-502.352.) The household may elect to have one-time only expenses averaged over the entire certification period in which they are billed.

- (a) Households reporting medical expenses, as specified in Section 63-502.331, during their certification period, with no specified payment schedule, may elect to have a one-time only deduction or to have the expense averaged over the remaining months of their certification period. Averaging would begin in the month the change becomes effective and only the amount in excess of that specified in Handbook Section 63-1101.25 shall be deducted each month.

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- (b) When the eligible household member has a written agreement, contract, or other type of written plan for payment of billed medical expenses, the stipulated amount of monthly payment shall be the base for determining the monthly excess medical expenses. Fluctuating medical expenses may be averaged over the certification period. Households may elect to average medical expenses billed less often than monthly over the certification period or claim such expenses in the month received. Medical expenses averaged over the certification period shall not be determined by automatically averaging past months' medical expenses. Past expenses shall be used only as an indicator of the expenses that are estimated or reasonably anticipated during the certification period. Fluctuating medical expenses may be allowed as a deduction and averaged over the certification period only if regularly recurring, reasonably anticipated and verified to recur over the certification period. Fluctuating medical expenses include, but are not limited to: medical service and treatments received regularly, but less often than monthly, and fluctuating monthly health expenses for prescription drugs. Expenses that occur and are reported and verified during the certification period that were not anticipated and deducted shall be considered one-time only expenses and may be deducted in the month billed, when the bill otherwise becomes due, or averaged over the remaining months of the certification period.
- (c) For retrospectively budgeted households, the CWD shall budget deductible expenses or payments for the child support deduction averaged over two or more months retrospectively, except medical expenses, provided that such deductions are not budgeted over more months than they are intended to cover, and the total amount deducted does not exceed the total amount of the expenses. Medical expenses shall be budgeted prospectively. The CWD shall continue to allow deductions for expenses incurred or payments made for the child support deduction even if billed on other than a monthly basis unless the household reports a change in the expense. At that time, it shall be recalculated.

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.253 Anticipating/Estimating Expenses

(a) Medical Expenses

At certification and recertification, the CWD shall require the household to report and provide verification of all medical expenses. The household's monthly medical deduction for the certification period shall be based on the information reported and verified by the household. This information shall include any anticipated changes in the household's medical expenses that can be reasonably expected to occur during the certification period based on available information about the recipient's medical condition, public or private insurance coverage, and current verified medical expenses. During the certification period, reporting of any medical expense shall be on a voluntary basis. If the household voluntarily reports a change in medical expenses which increases the household's allotment, the CWD shall verify the change as specified in Section 63-504.421 prior to acting on the change. If the reported change decreases the household's allotment, or makes the household ineligible, the CWD shall act on the change without requiring verification. However, verification required as specified in Section 63-504.421 shall be obtained prior to the household's recertification.

(b) Other Expenses

The CWD shall calculate a nonmonthly reporting household's expenses based on the expenses the household expects to be billed for or based on the payments expected to be made for the child support deduction during the certification period. Anticipation of the expenses or payments for the child support deduction shall be based on the most recent month's bills or payments for the child support deduction, unless the household is reasonably certain a change will occur. When the household is not claiming the standard utility allowance, the CWD may anticipate changes during the certification period based on last year's bills from the same period updated by overall price increases; or, if only the most recent bill is available, utility cost increases or decreases over the months of the certification period may be based on utility company estimates for the type of dwelling and utilities used by the household. The CWD shall not average past expenses, such as utility bills for the last several months, as a method of anticipating utility costs for the certification period.

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(c) Expenses In the Beginning Months

For households which are subject to retrospective budgeting, the procedures in Section 63-503.212(c)(1) which explain how to estimate income in the beginning months shall be used to estimate expenses in the beginning months. The CWD shall budget expenses regularly billed as a single monthly payment for the months such expenses are intended to cover.

.254 Disallowed expenses. The following expenses are not deductible:

- (a) An expense covered by an excluded reimbursement or vendor payment shall not be deductible except for energy assistance vendor payments made under the LIHEAA of 1981. For example, the portion of rent covered by excluded vendor payments shall not be calculated as part of the household's shelter cost.

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- (1) However, that portion of an allowable medical expense which is not reimbursable shall be included as part of the household's medical expenses. See Section 63-502.33 on nonreimbursable medical costs.
 - (2) If the household reports an allowable medical expense at the time of certification but cannot provide verification at that time, and if the amount of the expense cannot be reasonably anticipated based upon available information about the recipient's medical condition, and public or private medical insurance coverage, the CWD shall not deduct the expense. The household shall have the nonreimbursable portion of the medical expense deducted at the time the amount of the expense or reimbursement is reported and verified.
- (b) An expense which is covered by an excluded vendor payment that has been converted to a direct cash payment under the approval of a federally authorized demonstration project [see Section 63-502.2(a)(2)].
 - (c) Expenses shall only be deductible if the service is provided by someone outside the household and the household makes a money payment for the service. For example, a dependent care deduction shall not be allowed if: 1) another household member or excluded member provides the care, or 2) compensation for the care is provided in the form of an in-kind benefit, such as food.
 - (d) Past-due medical bills determined in accordance with Section 63-503.251.
 - (e) Medical bills paid prior to the month of initial application are not a deductible expense. However, medical bills received during the month of application are an allowable expense, even if the medical service was provided prior to the month of application, provided the household is otherwise eligible.

.255 Expense Conversion Procedures

For nonmonthly reporting households the income conversion procedures of Section 63-503.242(b)(1) shall also apply to expenses billed on a weekly or biweekly basis.

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.3 Calculating Net Income and Benefit Levels

.31 Net Monthly Income

In calculating net monthly income, the entire calculation process including individual shelter and medical costs shall include exact dollars and cents. The final figure shall be rounded down to calculations that end in 1 through 49 cents and rounded up for calculations that end in 50 through 99 cents.

.311 To determine a household's net monthly income, unless the household contains a member who is elderly or disabled as defined in Section 63-102(e), the CWD shall:

- (a) Add the gross monthly income earned by all household members minus earned income exclusions, to determine the household's total gross earned income.
- (b) Apply the earned income deduction to the total gross earned income.
- (c) Add to net monthly earned income the total monthly unearned income of all household members, minus income exclusions.
- (d) Subtract the standard deduction.
- (e) Subtract monthly dependent care expenses, if any, up to the current maximum.
- (f) Subtract the homeless shelter deduction.
- (g) Subtract allowable monthly child support payments as specified in Section 63-502.37.
- (h) Total the allowable shelter expenses to determine shelter costs. Subtract from the total shelter costs 50 percent of the household's monthly income after all the above deductions have been subtracted. The remaining amount, if any, is the excess shelter cost. If there is no excess shelter cost, the net monthly income has been determined. If there is excess shelter cost, compute the shelter deduction according to subparagraph (G) of this section.
- (i) Subtract the excess shelter cost (up to the current maximum) from the household's monthly income after all other deductions. The household's net monthly income has been determined.

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- .312 To determine the net monthly income of a household that includes a member who is elderly or disabled as defined in Section 63-102(e) the CWD shall:
- (a) Add the gross monthly income earned by all household members minus earned income exclusions, to determine the household's total gross earned income.
 - (b) Apply the earned income deduction to the total gross earned income.
 - (c) Add to net monthly earned income, the total monthly unearned income to all household members, minus income exclusions.
 - (d) Subtract the standard deduction.
 - (e) Subtract the monthly dependent care up to the current maximum.
 - (f) Subtract the medical expenses in excess of the amount specified in Section 63-1101 (see Section 63-502.33 for allowable medical expenses).
 - (g) Subtract the homeless shelter deduction.
 - (h) Subtract the allowable monthly child support payments as specified in Section 63-502.37.
 - (i) Total the allowable shelter expenses to determine the shelter costs. Subtract from the total shelter costs 50 percent of the household's monthly income after all of the above deductions have been subtracted. The remaining amount, if any, is the excess shelter cost.
 - (j) Subtract the excess shelter cost from the household's monthly income after all other deductions. The household's net monthly income has been determined.
- .32 Eligibility and Benefits
- .321 Monthly income, as defined in Sections 63-502.11 and 63-503.312 shall be compared to the gross and net monthly income eligibility standard for the appropriate household size to determine eligibility for all households, except as provided in Sections 63-301.6, 63-503.322, and .323. (See Handbook Section 63-1101 for the gross and net monthly income eligibility standards.)

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- (a) For households which are subject to monthly reporting, the CWD shall apply the gross and net monthly income eligibility standards each month during the household's certification period. The household's continued eligibility for benefits shall be based on the household's size and income information which the household and the CWD anticipate for the issuance month. This determination shall be based on the information reported on and submitted with the household's most recent CA 7. The CWD shall also consider information which the household reports outside of the normal monthly reporting system.
 - (1) If the household's gross and net monthly income does not exceed the standards the CWD shall issue benefits, in accordance with Section 63-503.22.
 - (2) If the household's gross or net monthly income exceeds the standards, the CWD shall either deny the application or terminate; or suspend the household's benefits in accordance with Section 63-504.37.
- (b) For migrant farmworker households, the CWD shall deny the application if the household's gross and/or net monthly income exceeds the standards.

.322 To determine the eligibility of a household with at least one member who is elderly or disabled as defined in Section 63-102(e), the household's net income, as determined by Section 63-503.312, shall be compared to the net monthly income eligibility standard for the appropriate household size. (See Handbook Section 63-1101 for the net monthly income eligibility standards.)

- (a) For households which are subject to monthly reporting, the CWD shall apply the net monthly income eligibility standards each month during the household's certification period, except as specified in Sections 63-301.7 and .82. The household's continued eligibility for benefits shall be based on the household's size and income information which the household and the CWD anticipate for the next issuance month. This determination shall be based on the information reported on and submitted with the most recent CA 7. The CWD shall also consider information which the household reports outside of the normal monthly reporting system.

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- (1) If the household's net monthly income does not exceed the standard, the CWD shall issue benefits in accordance with Section 63-503.22.
 - (2) If the household's net monthly income exceeds the standard, the CWD shall either deny the application or terminate; or suspend the household's benefits in accordance with Section 63-504.37.
 - (b) For migrant farmworker households, the CWD shall deny the application if the household's net monthly income exceeds the standard.
- .323 To determine the eligibility of a household in which all members are elderly or disabled as defined in Section 63-102(e), the CWD shall apply the net monthly income eligibility standards, as specified in Section 63-503.322.
- (a) The CWD shall apply the net monthly income eligibility standards whenever the household reports a change in either income or household size. The household's continued eligibility for benefits shall be based on the household's new size and income information which the household and the CWD anticipate for the next issuance month.
 - (1) If the household's net monthly income does not exceed the standard, the CWD shall issue benefits in accordance with Section 63-503.22.
 - (2) If the household's net monthly income exceeds the standard, the CWD shall either deny the application or terminate; or suspend the household's benefits in accordance with Section 63-504.37.
- .324 The household's monthly allotment shall be determined from the Coupon Allotment Tables on the basis of household size and net income. The counties shall issue food stamp coupons pursuant to the coupon allotment tables as promulgated and updated by the USDA. The SDSS shall provide the updated coupon allotment tables, which are to be implemented upon their effective date. Refer to Handbook Section 63-1101 for the most recent coupon allotment tables and their effective date.

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- .325 Except during an initial month, all eligible one- and two-person households shall receive a minimum monthly allotment of \$10 and all eligible households with three or more members which are entitled to \$1, \$3, and \$5 allotments shall receive allotments of \$2, \$4, and \$6 respectively to correspond with current coupon book determination.
- .326 For an eligible household with three or more members which is entitled to benefits for the initial month but not the following month, the CWD shall certify the household in accordance with Section 63-504.1 and terminate the case for the following month if the household is prospectively ineligible. The household shall be notified in accordance with Section 63-504.261.
- .327 For those eligible households which are entitled to no benefits in their initial month of application in accordance with Section 63-503.324, but are entitled to benefits in the next month, the CWD shall certify the households beginning with the month of application.
- .328 When a household's circumstances change and it becomes entitled to a different income eligibility test, the CWD shall apply the different test at the next recertification or whenever the CWD changes the household's eligibility, benefit level or certification period, whichever occurs first.
- .329 The CWD shall deny the application of an otherwise eligible household with three or more members that has a net income which would set its benefit level at zero. The application shall be denied on the grounds that net income exceeds the level at which benefits are issued unless any of the following occur:
- (a) The benefit level of zero is due to proration; or
 - (b) The household is categorically eligible as specified in Sections 63-301.7 and .82. The CWD shall notify these households of their eligibility for zero benefits.

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.4 Households with Special Circumstances

.41 Households with Self-Employment Income

For monthly reporting households receiving self-employment income, including those households that own and operate a commercial boarding house, the CWD shall calculate the self-employment income in accordance with this section. All households that own and operate a noncommercial boarding house shall have their income calculated in accordance with Section 63-503.42.

.411 Monthly Reporting Households with Self-Employment Income

- (a) Monthly reporting households which receive self-employment income on a monthly basis shall report the actual amount of such income on the CA 7. The CWD shall calculate the household's benefit level for each month based on the actual amount of self-employment income reported even if such income fluctuates from month to month.
- (b) Self-employment income received less often than monthly which represents a household's annual income shall be averaged over a 12-month period even if the household receives income from other sources in addition to self-employment.
- (c) Self-employment income which is intended to meet the household's needs for only part of the year shall be averaged over the period of time the income is intended to cover. Individuals who are self-employed only part of the year and supplement their income from other sources during the balance of the year shall have their self-employment income averaged over the period of time they are self-employed rather than a 12-month period.
- (d) If a household's self-employment enterprise has been in existence for less than a year the income from that self-employment enterprise shall be averaged over the period of time the business has been in operation, and the monthly amount projected over the certification period.
- (e) If income is from a household member's self-employment in a farming or fishing operation and irregular expenses are incurred to produce that income, the household shall have the option to average the expenses and related income over a 12-month period.

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.412 Annualizing Self-Employment Income

- (a) At the time of application, the income and expenses from a self-employment enterprise as specified in Sections 63-503.411(b) and (c) shall be verified for either the last year or the last period during which income was earned and which was intended to cover either a year or part of a year. The CWD shall then use this verified information to average the household's income over the next year or period of time the income is intended to cover.
 - (1) If the household has experienced a substantial increase or decrease in business income and can provide the CWD with information that shows the averaged amount is not reflective of the household's actual circumstances, the CWD shall then calculate the household's self-employment income based on anticipated earnings rather than prior income.
- (b) Actual self-employment income and expense information reported and verified with the household's CA 7 shall be used at the household's next certification to average and project the household's circumstances for the next year or period of time the income is intended to cover, except that the self-employment income averaged for the current certification period must be redetermined in the following instances:
 - (1) The household will likely experience or has experienced a substantial decline in income due to a change in circumstance such as crop failure or bankruptcy;
 - (2) The household reports increases or decreases in self-employment income that are outside what is normal for the particular season or trade.
 - (3) The household provides the CWD with verification of self-employment expenses which the household incurred to produce the income specified in Section 63-503.412(a), but had previously failed to give to the CWD.

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In redetermining a household's averaged self-employment income the CWD shall only consider income and expenses which have been verified.

.413 Allowable Cost of Producing Self-Employment Income

- (a) Allowable costs of producing self-employment income include, but are not limited to, the identifiable costs of labor, stock, raw material, seed and fertilizer, interest paid to purchase income-producing property, insurance premiums, and taxes paid on income-producing property.
- (b) In determining net self-employment income, the following items shall not be allowed as a cost of doing business:
 - (1) Payments on the principal of the purchase price of income-producing real estate and capital assets, equipment, machinery, and other durable goods;
 - (2) Net losses from previous periods; and
 - (3) Federal, state and local income taxes, money set aside for retirement purposes, and other work-related personal expenses (such as transportation to and from work), as these expenses are accounted for by the earned income deduction, specified in Section 63-502.32.
 - (4) Depreciation.

.414 Capital Gains

The proceeds from the sale of capital goods or equipment shall be calculated in the same manner as a capital gain for Federal income tax purposes. Even if only 50 percent of the proceeds from the sale of capital goods or equipment is taxed for Federal income tax purposes, the CWD shall count the full amount of the capital gain as income for food stamp purposes.

.415 Determining Monthly Income from Self-Employment

The monthly net self-employment income shall be added to any other earned income received by the household, and the net monthly income shall be computed, in accordance with Section 63-503.31.

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- (a) For monthly reporting households who report their actual monthly self-employment income on the CA 7, the CWD shall add all gross self-employment income (including capital gains), and exclude the actual monthly cost of producing the self-employment income as reported on the CA 7.
- (b) For the period of time over which self-employment income is averaged, the CWD shall add gross self-employment income (including capital gains), exclude the cost of producing the self-employment income, and divide the self-employment income by the number of months over which the income will be averaged.
 - (1) For self-employed farmers or fishermen, as defined in Section 63-102s, losses shall be prorated in the same manner used to prorate the self-employment income.
- (c) For migrant farmworker households self-employment income is calculated on an anticipated basis. The CWD shall add any capital gains the household anticipates it will receive in the next 12 months, starting with the date the application is filed, and divide this amount by 12. This amount shall be used in successive certification periods during the next 12 months, except that a new average monthly amount shall be calculated over this 12-month period if the anticipated amount of capital gains changes. The CWD shall then add the anticipated monthly amount of capital gains to the anticipated monthly self-employment income, and subtract the cost of producing the self-employment income. The cost of producing the self-employment income shall be calculated by anticipating the monthly allowable cost of producing the self-employment income.
- (d) For self-employed farmers or fishermen, as defined in Section 63-102s, if the cost of producing the self-employment income exceeds the income derived from self-employment as a farmer or fisherman, such losses shall be offset against any other countable income in the household.

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- (1) The following is an example of how the farming or fishing offset should be applied in determining the monthly net self-employment income to be used for both the gross and net income eligibility tests and benefit computations:

Self-Employment Income Computation

Gross Income	\$500
Expenses	- 600
Total Monthly Nonexempt Income	- 100

NOTE: If the monthly self-employment is less than or equal to zero, enter zero (0) on line 42 of the gross income eligibility determination computation form. Enter the actual \$ amount of the loss on the "Other unearned income" line.

A. Gross Income Eligibility

1. Gross Salary	\$300	
2. Self-Employment	- 0	
Total Gross Earned Income	300	
Cash Aid		450
Other Unearned Income		-100
Total Gross Unearned Income	+350	
Total Gross Monthly Income	650	

Net Income Eligibility

Adjusted Gross Earned Income	\$240	(300 x .80)
Total Nonexempt Gross Income	590	(350+240)

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.42 Households with Boarders (Noncommercial)

Individuals paying a reasonable amount for room and board, as specified in Section 63-402.3, shall be excluded from the household when determining the household's eligibility and benefit level. Payments from the boarder, except a foster care boarder, as specified in Section 63-402.322 shall be treated as self-employment income and the household's eligibility determined as follows:

.421 Income from the Boarder

The income from boarders shall include all direct payments to the household for lodging and meals, including contributions to the household's shelter expenses. Shelter expenses paid directly by boarders to someone outside the household shall not be counted as income to the household. Foster care payments are not counted as income if the foster care boarders are not members of the food stamp household as specified in Section 63-402.322.

.422 Cost of Doing Business

After determining the income received from the boarders, the CWD shall exclude that portion of the boarder payment which is a cost of doing business. The cost of doing business shall be equal to any of the following procedures provided that the amount allowed as a cost of doing business shall not exceed the payment the household receives from the boarder for lodging and meals. Payments for meals only (see Section 63-402.311) shall be income to the extent the payment exceeds the actual cost.

- (a) An amount which equals the maximum food stamp allotment for the appropriate number of boarders, as specified in Handbook Section 63-1101; or
- (b) The actual documented cost of providing lodging and meals, if the actual cost exceeds the maximum food stamp allotment for the appropriate number of boarders, as specified in the Handbook Section 63-1101. If actual costs are used, only separate and identifiable costs of providing lodging and meals to boarders shall be excluded.

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.423 Deductible Expenses

The income from self-employment minus the cost of doing business shall be added to other earned income and the earned income deduction shall be applied to the total. Shelter expenses the household actually incurs, even if the boarder contributes to the household for part of the household's shelter expenses, shall be computed to determine if the household will receive a shelter deduction. However, the shelter expenses shall not include any shelter expenses paid directly by the boarder to a third party, such as to the landlord or utility company.

.43 Destitute Households

Migrant or seasonal farmworker households may have little or no income at the time of application and may be in need of immediate food assistance, even though they receive income at some other time during the month of application. The following procedures shall be used to determine when migrant or seasonal farmworker households in these circumstances may be considered destitute and, therefore, entitled to expedited service and special income calculation procedures. Households other than migrant or seasonal farmworker households shall not be classified as destitute.

.431 Migrant or seasonal farmworker households whose only income for the month of application was received prior to the date of application, and was from a terminated source, shall be considered destitute households and shall be provided expedited service.

- (a) If income is received on a monthly or more frequent basis, it shall be considered as coming from a terminated source if it will not be received again from the same source during the balance of the month of application or during the following month.
- (b) If income is normally received less often than monthly, the nonreceipt of income from the same source in the balance of the month of application or in the following month is inappropriate to determine whether or not the income is terminated. Therefore, for households that normally receive income less often than monthly, the income shall be considered as coming from a terminated source if it will not be received in the month in which the next payment would normally be received.

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- .432 Households whose only income for the month of application is from a new source shall be considered destitute and shall be provided expedited service if income of more than \$25 from the new source will not be received by the 10th calendar day after the date of application.
- (a) Income which is normally received on a monthly or more frequent basis shall be considered to be from a new source if income of more than \$25 has not been received from that source within 30 days prior to the date the application was filed.
- (b) If income is normally received less often than monthly, it shall be considered to be from a new source if income of more than \$25 was not received within the last normal interval between payments.
- .433 Households may receive both income from a terminated source prior to the date of application and income from a new source after the date of application, and shall still be considered destitute if income of more than \$25 will not be received by the 10th day after the date of application and no other income will be received in the month of application.
- .434 Destitute households shall have their eligibility and level of benefits calculated for the month of application by considering only income which is received between the first of the month and the date of application. Any income from a new source that is anticipated after the date of application shall be disregarded.
- .435 Some employers provide travel advances to cover the travel costs of new employees who must journey to the location of their new employment. To the extent that these payments are excluded as reimbursements, receipt of travel advances will not affect the determination of when a household is destitute. However, if the travel advance is by written contract an advance on wages that will be subtracted from wages later earned by the employee, rather than a reimbursement, the wage advance shall count as income. In addition, the receipt of a wage advance for the travel cost of a new employee shall not affect the determination of whether subsequent payments from the employer are from a new source of income, nor whether a household shall be considered destitute.

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.436 A household member who changes jobs but continues to work for the same employer shall be considered as still receiving income from the same source. A migrant farmworker's source of income shall be considered to be the grower for whom the migrant is working at a particular point in time, and not the crew chief. A migrant farmworker who travels with the same crew chief but moves from one grower to another shall be considered to have moved from a terminated income source to a new source.

.437 For migrant farmworker households, the above procedures shall apply at initial application and at recertification, but only for the first month of each certification period. At recertification, income from a new source shall be disregarded in the first month of the new certification period if income of more than \$25 will not be received from this new source by the 10th calendar day after the date of the household's normal issuance cycle. For seasonal farmworker households, the above procedures shall only apply to the month of application when the household has a beginning month.

.44 Treatment of Income and Resources of Excluded Members

.441 Household Members Excluded for Conviction of a Drug Felony, IPV Disqualification, Workfare or Work Requirement Sanction, or is a Fleeing Felon

During the period of time that a household member is ineligible to participate because of conviction of a drug felony, disqualification for IPV, noncompliance with work requirements as specified in Section 63-407.4, imposition of a sanction while participating as a member of a household disqualified for failure to comply with workfare requirements, or is a fleeing felon, the eligibility and benefit level of any remaining household members shall be determined as follows:

(a) Income, Resources, and Deductible Expenses

The income and resources of the excluded household member(s) shall continue to be counted in their entirety, and the entire household's allowable earned income, standard, medical, dependent care, child support as specified in Section 63-502.37, and excess shelter deductions shall continue to apply to the remaining household members.

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(b) Eligibility and Benefit Level

The excluded member shall not be included when determining the household's size for the purposes of:

- (1) Assigning a benefit level to the household;
- (2) Comparing the household's monthly income with the income eligibility standards; or
- (3) Comparing the household's resources with the resource eligibility limits. The CWD shall ensure that no household's coupon allotment is increased as a result of the exclusion of one or more household members.

.442 Household Members Excluded for SSN Disqualification or Ineligible Alien Status

The eligibility and monthly allotment of any remaining household members of a household containing individuals excluded for being ineligible aliens or because of disqualification for refusal or failure without good cause to apply for or provide an SSN shall be determined as follows:

(a) Resources

The resources of such excluded members shall continue to count in their entirety to the remaining household members.

(b) Income

A pro rata share of the income of such excluded members shall be counted as income to the remaining members. This pro rata share is calculated by first subtracting the allowable exclusions from the excluded member's income and dividing the remaining income evenly among the household members, including the excluded members. All, but the excluded members' share is counted as income for the remaining household members.

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(c) Deductible Expenses

- (1) The earned income deduction shall apply to the prorated income earned by such excluded members which is attributed to the household.
- (2) The household's allowable shelter, dependent care, and child support expenses as specified in Section 63-502.37 which are paid in their entirety by the excluded member(s) shall be prorated as specified in Section 63-502.36 and only the Food Stamp eligible member'(s) pro rata share shall be counted as a deduction.
- (3) If such excluded member(s) shares allowable shelter, utility, dependent care, and/or child support expenses as specified in Section 63-502.37 with the Food Stamp eligible household member(s), deduct the excluded member's contribution from the applicable expense and the net amount is the Food Stamp household's allowable deduction. If the contributed amount cannot be differentiated (e.g., pooled income), the Food Stamp household's deduction amount shall be determined as specified in Section 63-502.36.

(d) Eligibility and Benefit Level

Such excluded members shall not be included when determining their households' sizes for the purposes of:

- (1) Assigning a benefit level to the household;
- (2) Comparing the household's monthly income with the income eligibility standards;
- (3) Comparing the household's resources with the resource eligibility limits; or,
- (4) Determining the categorical eligibility of the remaining household members as specified in Sections 63

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.443 Household Members Excluded for SSI/SSP Recipient or Ineligible Student Status

The eligibility and monthly allotment of any remaining household members of a household containing individuals excluded for being an SSI/SSP recipient or ineligible student shall be determined in accordance with the requirements for nonhousehold members as specified in Section 63-503.45.

.444 Reduction or Termination of Benefits Within the Certification Period

Whenever an individual is excluded within the household's certification period, the CWD shall determine the eligibility or ineligibility of the remaining household members. The CWD also shall take the following action:

- (a) When a household member is excluded for an IPV disqualification, and the household's allotment is subsequently reduced or terminated the CWD shall notify the remaining members of their eligibility and monthly allotment at the same time the excluded member is notified of his or her disqualification. The household is not entitled to a timely notice but may request a state hearing to contest the reduction or termination of benefits, unless the household has already had a state hearing on the amount of the claim as a result of consolidation of the administrative disqualification hearing with the state hearing.
- (b) When a household member is excluded for Workfare or work requirement sanction, SSN disqualification, ineligible alien status, conviction of a drug felony, or is a fleeing felon, and the household's allotment is subsequently reduced or terminated, the CWD shall issue a notice of action as specified in Section 63-504.26 and, as appropriate, as specified in Section 63-407.56. The notice shall inform the household of the exclusion, the reason for the exclusion, the eligibility and monthly allotment of the remaining members and the actions the household must take to end the disqualification.